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FISCAL IMPACT STATEMENT

LS 7886
BILL NUMBER: SB 462

NOTE PREPARED: Feb 27, 2003
BILL AMENDED: Feb 25, 2002

SUBJECT: ICHIA Revisions.

FIRST AUTHOR: Sen. Miller
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
X **FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill amends the Indiana Comprehensive Health Insurance Association (ICHIA) law concerning eligibility, preexisting conditions, prescription drug coverage, out-of-pocket expenses, chronic disease coverage, and premiums. The bill makes conforming and technical amendments.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) This bill makes several changes to the Indiana Comprehensive Health Insurance Association law. These changes are expected to generate more revenue for ICHIA and reduce total expenditures. The net losses of ICHIA (the excess of expenses over premium and other revenue) are made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against Premium Taxes, Adjusted Gross Income Taxes, or any combination of these or similar taxes; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. To the extent that this bill increases premiums and reduces expenditures, it may increase revenue to the state. If insurers are assessed an amount less than their tax burden, the state may receive increased Premium Taxes and/or Adjusted Gross Income Taxes, or any combination of these or similar taxes.

The changes to the ICHIA program include the following: (1) sets definition of resident, (2) eliminates list of health conditions that automatically qualify an individual, (3) increases the premium rate from 150% to 200% of the average premium rate for that class charged by the five largest volume carriers, (4) elimination of $25 referral fees for insurance agents, (5) development of a pharmaceutical management program, (6) implementation of drug copayments, (7) review and implement disease management programs and internet/mail order pharmacy (8) adjust deductible based upon percent increase of the medical care

component of the Consumer Price Index each year, (9) revision of deductibles and coinsurance to exclude prescription drugs, (10) eliminates provision that an individual can obtain an ICHIA policy if current group insurance coverage may be canceled, and (11) eliminates provision that an individual can obtain an ICHIA policy without any limitations on pre-existing conditions if current group insurance coverage may be canceled.

(1) Sets Definition of Resident: This provision may reduce the number of individuals that are enrolled in the ICHIA plan. Total impact on plan expenditures is unknown. There are approximately 9,800 individuals with ICHIA plans currently. Under current practice in order for an individual to establish residency, they must reside in the state for at least three months. There is no language in statute currently that automatically discontinues an individual's coverage if they change residency to another state. The contractor for ICHIA conducts investigations of individuals suspected to have changed residency and notifies them that their coverage will expire the following month if they have indeed relocated out of state. This provision may reduce the lag time between when an individual moves out of state and when the policy is canceled. Cost savings associated with this provision are not known at this time.

(2) Elimination of Qualifying Medical Conditions: Under the current statute an individual does not have to demonstrate an inability to obtain coverage. If an individual has one of several listed conditions, they automatically qualify for ICHIA coverage. The provision in the bill which requires an individual to demonstrate their inability to obtain outside coverage may deter some individuals from obtaining an ICHIA policy. The extent of savings is dependent upon the number of individuals affected. However, given the fact that insurers cannot write waivers of coverage into health insurance policies, it is likely that an individual with one of the current qualifying conditions cannot obtain coverage through a source other than ICHIA, and thus be eligible after a denial of coverage. Thus, the net reduction in policies issued by ICHIA and the associated cost reductions are negligible.

(3) Premium Rate Increase from 150% to 200% Average Cost: The current blended rate for an ICHIA policy as of September 2002 is $391 per member per month. This provision would increase the rate to approximately $510 per member per month. This provision would probably also reduce the number of individuals with ICHIA policies from 9,800 to approximately 8,220. The total premium collected for the first full year is estimated to be approximately $50 M. The total premium collected for CY 2001 was $31.7 M. The estimated premium collected for CY 2002 is $43.6 M. Thus, the increase in premium collected is an estimated $6.4 M with a reduction of 1,580 policies issued.

(4) Elimination of Referral Fees: This bill eliminates the provision that an insurance agent that refers an individual to ICHIA for coverage is to receive a $25 referral fee. Referral fees paid for 2001 totaled $28,090, and referral fees for 2002 totaled $34,675 (through October 31, 2002). Elimination of this requirement will result in cost savings of an estimated average $30,000 annually.

(5) & (6) Development of a Pharmaceutical Management Program and Increased Drug Copayment: The Office of Medicaid Policy and Planning Drug Utilization Review Board shall advise ICHIA regarding the development and adoption of a pharmaceutical management program. The ICHIA Board shall implement a pharmaceutical management program after review of other programs for similar populations. The previous version of this bill allowed ICHIA to adopt the Medicaid preferred drug list (PDL), with three exceptions. The cost of developing and adopting a new pharmaceutical management program is unknown at this time. However, it is estimated that the amended version of this bill will require a longer period of time to adopt and implement a pharmaceutical program for ICHIA members. It is estimated that the pharmaceutical management program and increased drug copayment provisions, when fully implemented, will result in a

17%-18% long-term savings on prescription expenditures. Total prescription expenditures for the period April 2001 to March 2002 were $9.6 M. Based on this data, the estimated savings would be between $1.6 M and $1.7 M annually - however, the savings associated with pharmaceutical management program adoption will not be realized immediately.

(7) Disease Management: This provision requires that ICHIA develop chronic disease management programs in coordination with the Office of Medicaid Policy and Planning Drug Utilization Review Board. The ICHIA Board shall implement mandatory disease management programs after review of chronic disease management programs for similar populations. ICHIA recently signed a contract with an outside company to establish a voluntary disease management program. The voluntary program is estimated to be operational by March 1 and to result in a 5% cost savings. ICHIA staff estimate that if the disease management program were made mandatory it could result in a 10% cost savings for the program.

The bill also contains a prescription drug provision for individuals enrolled in the chronic disease management program. These individuals are required to obtain prescription drugs from an Internet or mail order pharmacy or a pharmacy that agrees to sell a prescription at the same price as the Internet or mail order pharmacy. Cost savings associated with this provision are not known at the present time.

(8) Adjust Deductible for Inflation: This provision allows the deductible to be adjusted annually based upon the percentage increase in the medical care component of the Consumer Price Index each year. This provision will keep the amount of the deductible constant with regards to inflation.

(9) Revision of Deductibles: This provision requires that deductibles and coinsurance exclude prescription drug costs. The current maximum member out-of-pocket payment for expenses including prescription drugs is $1,500 per individual and $2,500 for family coverage. This provision would exclude payments for prescription drugs from the maximum out of pocket amount. Thus, an individual with prescription costs above this limit would remain responsible for paying the copayment. It is unknown what impact this will have on total program costs. It is anticipated that this will reduce program expenditures.

(10) & (11) Eligibility Requirement Changes: This bill eliminates the provision that an individual can obtain an ICHIA policy if current group insurance coverage may be canceled. In addition, it eliminates the provision that an individual can obtain an ICHIA policy without any limitations on pre-existing conditions if current group insurance coverage may be canceled. These provisions may reduce the number of individuals that obtain an ICHIA policy. The total reduction in expenditures associated with these provisions is not known at this time and is contingent upon the reduction of potential enrollees.

Office of Medicaid Policy and Planning - Drug Utilization Review Board - The Office of Medicaid Policy and Planning (OMPP) Drug Utilization Review Board (DUR Board) shall advise the ICHIA Board concerning implementation of chronic disease management and pharmaceutical management programs. The DUR Board is a voluntary body tasked primarily with reviewing pharmaceutical issues for OMPP. The FSSA was contacted regarding potential cost to the DUR Board. Information will be updated when available.

State Department of Health - The Department of Health currently pays for approximately 1,300 individuals with HIV/AIDS to be enrolled in the ICHIA program. The state receives approximately $7.8 M from the federal AIDS Drug Assistance Program (ADAP) and Title II of the federal Ryan White Care Act. The premium increase proposed in this bill may decrease the number of individuals that the Department can enroll in ICHIA with current federal funding. Note: The individuals in the ADAP program could also be enrolled in the Medworks program or Medicaid, depending upon income and disability status.

Background: All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are members of the Indiana Comprehensive Health Insurance Association. ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA, by assessments to member companies (excluding self-insurers preempted by ERISA), and the state General Fund. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS, cystic fibrosis, or diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must be less than or equal to 150% of the average premium charged by the five largest individual market carriers.

The net losses of ICHIA (the excess of expenses over premium and other revenue) are made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against Premium Taxes, Adjusted Gross Income Taxes, or any combination of these or similar taxes; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. Total expenses for the ICHIA program for CY 2001 were $93.1 M with premium contributions of $31.7 M and assessment receipts of $61.4M. Enrollment in the ICHIA program as of August 2002 was 9,779. Based upon data presented to the State Budget Committee, the assessments for 2003 are projected to exceed the $100 M threshold by approximately $5.6 M. The Executive Director of ICHIA stated that new cost control mechanisms put in place in recent months may control total program costs.

Beginning October 31, 2002, insurers are required to report the amount of assessments paid and tax credits taken each year. Data from CY 2001 is currently incomplete. However, preliminary data indicate that ICHIA assessments in 2001exceeded tax credits taken by approximately $10.3 M.

ICHIA Assessments

Year	Assessment	Percent Change
1997	$18,791,177	10.48%
1998	$25,907,143	37.87%
1999	$24,130,087	-6.86%
2000	$34,816,164	44.29%
2001	$61,406,500	76.37%
2002*	$79,127,224	28.86%
2003*	$105,574,277	33.42%

* Estimates based upon data presented to State Budget Committee by Connie Brown, MPlan, 11/12/02.

Explanation of State Revenues: See *Explanation of State Expenditures*.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association, Family and Social Services Administration; Department of Health.

Local Agencies Affected:

Information Sources: Doug Stratton, Executive Director, ICHIA, 317-877-5376; Testimony of Connie Brown CFO of MPlan to the Budget Committee on November 12, 2002; Amy Kruzan, Legislative Director, FSSA, 317-232-1149; Zach Cattell, Legislative Director, State Department of Health, 317-233-2170.

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